

ClearView **WealthSolutions**

Fund tax explanatory notes January 2017

These notes outline how we calculate and allocate tax to members of ClearView WealthSolutions as part of the ClearView Retirement Plan (the Fund) for the 2015–2016 financial year.

End-of-year tax

ClearView WealthSolutions Retirement Income account members (pension members)

Pension members are exempt from tax on income (including investment earnings, net capital gains and other income).

Fees and expenses are not deductible. No benefit is provided on any capital losses.

A tax offset is available for eligible franking tax credits. A tax offset is not available for foreign tax credits.

We determine the amount of the eligible credits that is available and allocate these to the members. This is further discussed in the 'Allocating tax to members' section.

Refer also to the 'Members who switched from superannuation to pension accounts' section for more information.

ClearView WealthSolutions Superannuation account members (superannuation members)

We calculate the amount payable based on:

1. Contributions
2. Net investment earnings
3. Net capital gains/losses
4. Franking/foreign tax credits.

1 Contributions

- We deduct tax at a rate of 15% on employer contributions and personal contributions for which the member has claimed a tax deduction. For employer contributions tax is deducted from members' Cash Hubs at the time of the contribution. For personal contributions, deductions can be made anytime, alternatively we will initiate the s290-170 of the Income Tax Assessment Act 1997 (ITAA 97) process in July each year. Tax is deducted at the time these s290-170 ITAA 97 notices are received and processed.

- We generally don't deduct tax on rollovers from other super funds, however, if a rollover benefit statement references a 'taxable component – element untaxed in the fund', tax is deducted at 15%.
- Tax on super foreign transfers is deducted at 15% on the amount the member chooses to pay tax on.

2 Net investment earnings

- We deduct tax at a rate of 15% from taxable distributions received from managed funds (excluding distributed capital gains), dividends, credits (including franking and foreign tax credits) and interest. Taxation of Financial Arrangements requirements, which apply from 1 July 2010, have been incorporated in the tax calculations.
- Ongoing management fees and ongoing adviser service fees (including one-off adviser service fees) are deductible expenses.

3 Net capital gains/losses

- We calculate gains/losses on each parcel sold during the year. This is completed by matching a parcel sold by a member against another parcel that the member purchased (rather than against a parcel purchased by any member of the Fund). This ensures the Fund's tax liability is consistent with the liability of its members.
- We take into account distributed capital gains when calculating the net gain/loss of the Fund.
- If there is a balance of capital loss (ie carried-forward capital losses and current-year losses) we offset against non-discountable gains first. If there is still a balance of capital loss we then offset this against discountable gains.
- For any discountable gains where there is a net gain we discount this by a third.
- Where there is a net loss for the Fund we carry this forward to the next income year.

- Some members may be in a net loss position (based on their own trading throughout the year) even though the Fund has an overall gain. In this instance we give members the full benefit of those losses in the current year rather than carrying them forward to the next financial year. In a situation where members are in a net gain position and the Fund has an overall loss we give members a benefit of those losses in the current year to the extent of the members' gains. This approach ensures the sum of all the members' individual tax positions each year equal the Fund's tax liability.

4 Franking/foreign tax credits

- Franking credits and foreign tax credits are taxable and a tax offset is available for eligible franking and foreign tax credits.
- We determine the amount of the eligible credits that are available and allocate these to the members. This is further discussed in the 'Allocating tax to members' section.

Tax instalments

The Fund pays quarterly tax instalments based on the rate advised by the Australian Taxation Office. We withdraw these tax instalments from the Fund holding account, which means members' accounts are not impacted until the annual fund tax allocation.

Members who switched from superannuation to pension accounts

We assess taxable income for members who switched from a ClearView WealthSolutions Superannuation account to a ClearView WealthSolutions Retirement Income account based on the product in which they were invested when the taxable event occurred. For example, distribution income earned while in the ClearView WealthSolutions

Superannuation account is subject to tax. We would deduct any tax payable on this income from the member's ClearView WealthSolutions Retirement Income account as the member has now switched to a pension account. All distribution income earned while in a ClearView WealthSolutions Retirement Income account is exempt from tax.

Closed accounts

When a member closes their account the tax we apply to their account is calculated based on the information available at that time. This amount typically does not include all tax component details. We then deduct this tax from the final amount paid/rolled over. As part of the tax allocation process we re-calculate the tax liability for that member based on the updated tax component details.

In most cases a member's tax liability or refund when they close their account and leave the Fund will have been greater (if it was a payment) or less (if it was a refund) than that calculated during the tax allocation process when all information was available. After allowing for all other adjustments, the remaining balance of the difference between the tax calculated on account closure and the amount we calculate as part of the tax allocation process is distributed to other existing members of the Fund.

Allocating tax to members

We allocate the Fund's tax liability to members on the basis of their proportion of the tax liability/offsets from their net investment earnings, net capital gains/losses and franking/foreign tax credits. We express this on the transaction statement as either 'Deposit – Tax Refund' or 'Withdrawal – Tax Expense'.

If you would like more information about ClearView WealthSolutions please contact our Service and Support Centre on 1800 023 549.

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